

## Fuel duty and VED changes

Extract from Budget 2011, pages 38 & 39

[http://cdn.hm-treasury.gov.uk/2011budget\\_complete.pdf](http://cdn.hm-treasury.gov.uk/2011budget_complete.pdf)

### Motoring

**1.145** In recognition of high current oil prices, fuel duty will be cut by 1 penny per litre from 6pm today.

**1.146** The Government will abolish the fuel duty escalator and replace it with a fair fuel stabiliser. When oil prices are high, as now, fuel duty will increase by inflation only. UK oil and gas production is more profitable at such times, so it is fair that companies should contribute more. **The Supplementary Charge on oil and gas production will therefore increase to 32 per cent from midnight tonight.**

**1.147** In addition, to ease the burden on motorists, **the 2011-12 inflation-only increase in fuel duty will be deferred to 1 January 2012. The 2012-13 increase in fuel duty will be implemented on 1 August 2012.**

**1.148** In future years, if the oil price falls below a set trigger price on a sustained basis, the Government will reduce the Supplementary Charge back towards 20 per cent on a staged and affordable basis while prices remain low. **Fuel duty will increase by RPI plus 1 penny per litre in each such year.** The Government believes that a trigger price of \$75 per barrel would be appropriate, and will set a final level and mechanism after seeking the views of oil and gas companies, and motoring groups.

**1.149** As the increased rate of Supplementary Charge will only apply when prices are high, **the Government will restrict tax relief for decommissioning expenditure to the 20 per cent rate to avoid incentivising accelerated decommissioning. There will be no restrictions to decommissioning relief below this level over the course of this Parliament, and the Government will work with the industry with the aim of announcing further, longer-term certainty on decommissioning at Budget 2012.** Recognising the importance of continued investment in the North Sea, including in marginal gas fields, the Government will also consider with the industry the case for introducing a new category of field that would qualify for field allowance.

**1.150** This Budget announces three further steps to support motorists:

- **vehicle excise duty rates will increase by RPI indexation only in 2011-12, and rates for Heavy Goods Vehicles will be frozen;**
- **for motorists who are required to use their own vehicle for work, the Approved Mileage Allowance Payments (AMAPs) rate will rise to 45 pence per mile for**

Budget 2011

**the first 10,000 miles and 25 pence per mile thereafter. In addition to claiming AMAPs rates, an allowance for passenger payments currently in place for business employees, at 5 pence per passenger per mile, will be extended to volunteers; and**

- **the Government has today formally submitted a derogation request to the European Commission for a rural fuel duty rebate pilot scheme.** This is intended to deliver a 5 pence per litre duty discount on petrol and diesel across the Inner and Outer Hebrides, the Northern Isles, the islands in the Clyde and the Isles of Scilly.

**1.151** To encourage businesses to use ultra low carbon cars, **the Government will freeze Company Car Tax for cars emitting less than 95g/km from April 2013. The Government will increase Company Car Tax for all vehicles with carbon dioxide emissions between 95g/km and 219g/km by 1 percentage point from the same date.**

## Fuel duty and VED changes

### HMRC website

<http://www.hmrc.gov.uk/budget2011/taxes-main-announcements.pdf>

#### Fuel Duty Rates

Fuel duty rates as follows:

- the main fuel duty rate will be reduced by 1 penny per litre (ppl) from 6pm on 23 March 2011;
- the 1 April 2011 increase will be deferred and implemented on 1 January 2012 when the main fuel duty rate will increase by 3.02 ppl;
- on 1 January 2012 the effective rate of duty for non road fuels will rise in proportion to the main fuel duty rate; the duty increases on natural gas will maintain the differential with the main road fuels, and the differential for road fuel gas other than natural gas will be reduced by the equivalent of 1 ppl of petrol; and
- on 1 January 2012 the duty rate for leaded petrol will increase by the same monetary amount as main fuel duty, and the duty rate for aviation gasoline will rise in proportion to the main fuel duty rate.

The duty differential for biodiesel produced from used cooking oil will end as intended on 31 March 2012.

### VED rates

<http://www.hmrc.gov.uk/budget2011/overview.pdf> - see pages 231 & 232

Vehicle Excise Duty bands and rates for private and light good vehicles registered before March 2001 (pre-graduated VED)		
Engine size	2010-11 <small>729x130</small>	2011-12
1549cc and below	£125	£130
Above 1549cc	£205	£215

Budget 2011 announced that from 1 April 2011, VED rates will increase in line with RPI inflation and Heavy Goods Vehicle rates will be frozen.

Vehicle Excise Duty bands and rates for cars registered on or after March 2001 (graduated VED)				
VED band	CO <sub>2</sub> emissions (g/km)	2010-11	2011-12 <sup>2</sup>	
		Standard Rate <sup>1</sup>	Standard Rate <sup>1</sup>	First Year Rate <sup>1</sup>
A	Up to 100	£0	£0	£0
B	101-110	£20	£20	£0
C	111-120	£30	£30	£0
D	121-130	£90	£95	£0
E	131-140	£110	£115	£115
F	141-150	£125	£130	£130
G	151-165	£155	£165	£165
H	166-175	£180	£190	£265
I	176-185	£200	£210	£315
J	186-200	£235	£245	£445
K <sup>3</sup>	201-225	£245	£260	£580
L	226-255	£425	£445	£790
M	Over 255	£435	£460	£1000

<sup>1</sup>Alternative fuel discount: 2010-11 onwards £10 for all cars

<sup>2</sup>2011-12 rates take effect from 1st April 2011

<sup>3</sup>Includes cars emitting over 225g/km registered before 23 March 2006